

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AGR-05 AGRE-00 COME-00 TRSE-00

L-03 CIAE-00 INR-07 NSAE-00 PRS-01 STR-04 SP-02 /037 W
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FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 8932

INFO AMEMBASSY WELLINGTON PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 CANBERRA 6616

EO 11652: GDS
TAGS: ETRD, EAGR
SUBJ: MAYAGUEZE MEAT IMPORT ISSUE

REF : STATE 226329

1. DEPUTY PRIME MINISTER AND MINISTER FOR OVERSEAS TRADE AND MINISTER FOR NATIONAL RESOURCES DOUGLAS ANTHONY CALLED ME TO HIS OFFICE THIS AFTERNOON TO DISCUSS MAYAGUEZ MEAT PROBLEM I WAS ACCOMPANIED BY AGATTACHE HARLAN DIRKS. IN ADDITION TO THE DEPUTY PRIMIN, MINISTER FOR PRIMARY INDUSTRY IAN SINCLAIR WAS PRESENT AS WELL AS DOUGLAY MCKAY, PERMANENT HEAD OF OVERSEAS TRADE, ALEX MCGOLDRICK, IN CHARGE OF COMMODITIES SECTION OF OVERSEAS TRADE, AND WALTER IVES, PERMANET HEAD OF PRIMARY INDUSTRY.

2. UNFORTUNATELY REFTEL HAD NOT REACHED ME PRIOR TO VISIT. IT WAS WAITING ON MY DESK WHEN I RETURNED.

3. DEPUTY PRIME MINISTER MADE A VERBAL PRESENTATION OF HIS POSITION. HE ASKED ME TO USE MY INFLUENCE TO CONVINCE USG TO ACCEPT "BANAGRANDE" CARGO OF 11 MILLION POUNDS OF MEAT INTO MAYAGUEZ. HE AND MINISTER SINCLAIR POINTED OUT ALL BUT 3.9 MILLION POUNDS WERE LOADED PRIOR TO WHAT THEY CONSIDERED AS A DEADLINE OF SEPTEMBER 1 AND THAT THE REMAINDER WOULD HAVE BEEN LOADED PRIOR THERETO EXCEPT FOR INDUSTRIAL INTERRUPTIONS ON THE WATERFRONT. THE
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ENTIRE AMOUNT HAD BEEN CONTRACTED IN GOOD FAITH PRIOR TO

SEPTEMBER 1, THEY SAID. THEY GAVE ME A MEMORANDUM (NOT A FORMAL AIDE MEMOIRE) WHICH IS QUOTED BELOW.

4. BEGIN TEXT. AUSTRALIA HAS BEEN ASKED BY THE UNITED STATES ADMINISTRATION TO TAKE ACTION TO PREVENT WHAT THE U.S. SECRETARY OF AGRICULTURE CONSIDERS A CIRCUMVENTION OF THE MEAT IMPORT LAW BY WHICH MEAT IS EXPORTED TO THE U.S. FOREIGN TRADE ZONE IN MAYAGUEZ, PUERTO RICO WHERE IT IS PRECESSED AND THEN ENTERED INTO THE U.S. AS NON-QUOTA MEAT.

IN THE PAST SIX WEEKS, U.S. AUTHORITIES HAVE SOUGHT TO CLOSE OFF THE MAYAGUEZ TRADE BY ENDEAVOURING TO HAVE THE FOREIGN TRADE ZONES BOARD DETERMINE THAT THE PROCESSING OPERATION IN MAYAGUEZ IS "AGAINST THE NATIONAL INTEREST" AND BY THE ISSUING OF A DRAFT REGULATION WHICH WOULD ESULT IN MEAT PROCESSED IN MAYAGUEZ AND THEN IMPORTED INTO THE U.S. BEING DEBITED AGAINST THE VOLUNATARY RESTRAINT ENTITLEMENT OF THE COUNTRY OF ORIGIN. WE UNDERSTAND THAT BOTH THESE MEASURES ARE CURRENTLY INVOLVED IN A LEGAL CHALLENGE BY THE PROCESSORS IN MAYAGUEZ.

EVER SINCE THE MATTER WAS FIRST RAISED WITH US IN MARCH, AUSTRALIA HAS TAKEN THE POSITION THAT THE PROBLEM IS CAUSED BY A CONFLICT BETWEEN THE LEGISLATION GOVERNING THE OPERATION OF FOREIGN TRADE ZONES IN THE UNITED STATES AND THE MEAT IMPORT LAW. THUS, IN AUSTRALIA'S VIEW, THE PROBLEM IS ESSENTIALLY ONE FOR THE U.S. AUTHORITIES THEMSELVES TO RESOLVE. IT IS RECOGNIZED THAT THE TRADE IS LAWFUL UNDER BOTH U.S. AND AUSTRALIAN LAW AND IS CONSISTENT WITH THE VOLUNTARY RESTRAINT AGREEMENT SIGNED BY AUSTRALIA AND THE U.S. IN JUNE, 1976. NONETHELESS, AUSTRALIA HAS INDICATED THAT WE WOULD BE WILLING TO DISCUSS WAYS IN WHICH WEMIGHT ASSIST THE ADMINISTRATION TO SOLVE WHAT WE RECOGNISE IS A DIFFICULT PROBLEM DURING HIS VISIT TO THE U.S. IN JUNE, THE MINISTER FOR PRIMARY INDUSTRY INDICATED TO SECRETARY OF AGRICULTURE BUTZ, THAT, WHILE AUSTRALIA WAS PREPARED TO ASSIST, VOLUNTARY ACTION TO CLOSE OFF AN EXPORT OUTLET WOULD RAISE DIFFICULT POLITICAL PROBLEMS IN AUSTRALIA; IT WOULD THEREFORE BE HELPFUL IF THE GOVERNMENT WAS ABLE TO

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POINT TO SOME CONCESSION ON THE PART OF THE UNITED STATES. AT THE TIME, THE STATISTICAL OR CARRY-OVER QUESTION WAS UNDER DISCUSSION AND IT WAS SUGGESTED THAT SOME ACCOMMODATION OF OUR POINT OF VIEW ON THIS ISSUE WOULD MAKE IT EASIER FOR THE GOVERNMENT TO EXPLAIN ANY ACTION TO CONTROL SHIPMENTS TO MAYAGUEZ.

SECRETARY BUTZ AGREED WITH MR. SINCLAIR THAT OFFICIALS

SHOULD RE-EXAMINE THE STATISTICAL SITUATION WITH A VIEW TO REACHING A SOLUTION BUT WE WERE SUBSEQUENTLY ADVISED THAT NO ADJUSTMENT WOULD BE MADE TO THE CARRYOVER FIGURE.

DURING HIS VISIT TO THE UNITED STATES IN JULY, THE PRIME MINISTER ALSO RAISED THE CARRYOVER QUESTION WITH THE SECRETARIES OF AGRICULTURE AND STATE.

IT IS APPRECIATED THAT, IN THE COURSE OF THE UNITED STATES PRESIDENTIAL CAMPAIGN, THE ADMINISTRATION HAS COME UNDER INCREASING PRESSURE TO TAKE ACTION AGAINST MAYAGUEZ MEAT AND THE ADMINISTRATION HAS SOUGHT AUSTRALIA'S ASSISTANCE. IN LATE AUGUST, U.S. OFFICIALS PROPOSED THAT AUSTRALIA SHOULD AGREE TO AMEND OUR VOLUNTARY RESTRAINT AGREEMENT TO PERMIT MEAT EXPORTED FROM AUSTRALIA AFTER 1 SEPTEMBER TO BE COUNTED AGAINST OUR ENTITLEMENT UNDER THAT AGREEMENT. WE HAVE INDICATED OUR WILLINGNESS TO ACCEPT AN AMENDMENT TO THE RESTRAINT AGREEMENT IN THE TERMS PROPOSED TO US BY THE UNITED STATES BUT ON THE UNDERSTANDING THAT MEAT BEING SHIPPED ON THE VESSEL "BANAGRANDE", WHICH DEPARTED ON SEPTEMBER 10, WOULD NOT BE DEBITED AGAINST AUSTRALIA'S ENTITLEMENT.

THIS PROPOSAL WAS YESTERDAY REJECTED BY U.S. OFFICIALS WHO ARE NOT PREPARED TO HAVE MEAT ON THE "BANAGRANDE" EXCLUDED FROM THE ARRANGEMENT. U.S. OFFICIALS AGAIN INDICATED THAT IF SOME RESOLUTION OF THE PROBLEM COULD NOT BE ARRIVED AT WITH AUSTRALIA, THEN THERE WAS A "STRONG RISK OF QUOTAS" AND A POSSIBILITY THAT LEGISLATION COULD BE INTRODUCED INTO CONGRESS TO PREVENT THE "CIRCUMVENTION" CONTINUING.

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ACTION EB-07

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P 140756Z SEP 76

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC PRIORITY 8933

INFO AMEMBASSY WELLINGTON PRIORITY

C O N F I D E N T I A L SECTION 2 OF 2 CANBERRA 6616

REJECTION BY THE UNITED STATES OFFICIALS OF WHAT WE THOUGHT TO BE A VERY REASONABLE PROPOSAL COMES AS A CONSIDERABLE SURPRISE. AUSTRALIA'S PROPOSAL, WHICH IN ITSELF WILL CREATE POLITICAL DIFFICULTIES IN AUSTRALIA, WAS PUT FORWARD IN AN ATTEMPT TO HELP THE UNITED STATES OUT OF ITS PROBLEM.

IT SEEMS TO US EXTRAORDINARY THAT A STICKING POINT SEEMS TO HAVE BEEN REACHED OVER A QUANTITY OF MEAT (ABOUT 11 MILLION POUNDS) WHICH, THOUGH IMPORTANT TO AUSTRALIA, IS INSIGNIFICANT IN TERMS OF THE TOTAL U.S. IMPORT MARKET OF OVER 1200 MILLION POUNDS. U.S. OFFICIALS ARE AWARE THAT NO SHIPMENTS OF AUSTRALIAN MEAT TO MAYAGUEZ HAVE BEEN APPROVED BY THE AUSTRALIAN MEAT BOARD SINCE AUGUST 16. ACCEPTANCE OF THE AUSTRALIAN PROPOSAL WOULD COVER ALL MEAT FOR WHICH CONTRACTS HAD BEEN FINALIZED IN GOOD FAITH.

WE WONDER WHETHER AMERICAN OFFICIALS APPRECIATE HOW POLITICALLY DIFFICULT THE MATTER IS HERE. PRODUCERS AND EXPORTERS ARGUE STRONGLY THAT THE MAYAGUEZ TRADE IS LEGAL (AND THE LEGAL PROCESSES IN THE U.S. AND THE ADMINISTRATION'S REACTIONS BEAR THIS OUT). EXPORTERS ALREADY HAVE BEEN HIGHLY CRITICAL OF RUMORED SETTLEMENTS. IN ITS CURRENT DIRE CIRCUMSTANCES THE AUSTRALIAN INDUSTRY WILL STRONGLY CRITICISE ANY VOLUNTARY ACTION BY AUSTRALIA WHICH CLOSES OFF AN EXPORT OUTLET. WHAT WE ARE PROPOSING MUST BE SEEN IN THIS CONTEXT.

14 SEP 1976. END TEXT.
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5. AT THE MEETING I WAS UNAWARE OF SMITH COMPROMISE PROPOSAL CITED PARA 4 OF REFTEL AND DISAVOWED ON SEPTEMBER 10. NO MENTION WAS MADE BY AUSTRALIANS OF THE COMPROMISE AGREEMENT PROPOSED BY SMITH.

6. I POINTED OUT THAT I HAD NOT PARTICIPATED IN MEAT NEGOTIATIONS, THAT I WAS NOT UP TO DATE ON LATEST DEVELOPMENTS (NOT HAVING RECEIVED REFTEL AT THAT TIME) AND THAT I WAS SURE AUSTRALIAN EMBASSY IN WASHINGTON HAD ALREADY BROUGHT TO YOUR ATTENTION ALL OF THE ARGUMENTS THEY HAD MADE TO ME ABOUT THE URGENT NATURE OF THE POLITICAL PROBLEM TO THEM IN AUSTRALIA AND THE SAD STATE OF THE BEEF MARKETS IN PARTICULAR AND AGRICULTURE IN GENERAL.

7. THEY ACKNOWLEDGED THERE WAS NOTHING NEW IN THEIR ARGUMENTS BUT ASKED THAT I NOTE THE IMPORTANCE AND SIGNIFICANCE OF THE MATTER TO THEM AS EVIDENCED BY THE PRESENCE OF TWO

MINISTERS AND THEIR PRINCIPAL ADMINISTRATORS. THEY POINTED OUT THERE WAS NOTHING ILLEGAL EITHER UNDER AMERICAN OR AUSTRALIAN LAW WITH RESPECT TO AUSTRALIAN SHIPMENTS OF MEAT THROUGH MAYAGUEZ AND THAT THEY WOULD HAVE A VERY DIFFICULT TIME EXPLAINING TO THEIR PUBLIC WHY SUCH LEGAL SHIPMENTS SHOULD BE VOLUNTARILY DISCONTINUED FOR THE REST OF THE YEAR.

8. AT THE SAME TIME THEY EMPHASIZED STRONGLY THAT THEY HAD NO WISH TO SEE QUOTAS REPLACE THE VOLUNTARY RESTRAINT AGREEMENTS.

9. I REALIZE SENSITIVITIES OF SITUATION IN AMERICA BUT MUST POINT OUT THE EQUAL SENSITIVITIES HERE. OUR RELATIONS WITH THIS GOVERNMENT HAVE BEEN OUTSTANDING AND THEY WILL BECOME EVEN BETTER WITH TIME IF NO SOUR NOTE SUCH AS THIS OVER 11 MILLION POUNDS OF MEAT IS ALLOWED TO INTRUDE. I BELIEVE MUCH OF THE PROBLEM MIGHT HAVE BEEN AVOIDED IF SMITH PROPOSED COMPROMISE HAD NOT BEEN RELIED ON BEFORE APPROVAL FROM CANBERRA. AS I READ REFTEL AUSTRALIAN EMBASSY DID NOT SO MUCH REVERSE ITSELF AS FAIL IN SECURING CANBERRA APPROVAL FOR ITS POSITION.

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10. FAILURE TO ACCORD AUSTRALIANS WHAT THEY CONSIDER LEGAL BEEF SHIPMENTS OUTSIDE VOLUNTARY RESTRAINT AGREEMENTS CAN BE EXPECTED TO MAKE IT MORE DIFFICULT TO SECURE AUSTRALIAN COOPERATION IN FUTURE NPW VISITS, OMEGA AND SIMILAR PROGRAMS. HARGROVE

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